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天津發展控股有限公司
TIANJIN DEVELOPMENT HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

(Stock Code: 882)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

FINANCIAL HIGHLIGHTS

- Revenue amounted to approximately HK\$3,890,000,000 (2011: approximately HK\$3,517,000,000), representing an increase of 10.6% as compared to 2011.
- Profit attributable to owners of the Company amounted to approximately HK\$413,000,000 (2011: approximately HK\$437,000,000).
- Basic earnings per share were HK38.70 cents (2011: HK40.96 cents).

RESULTS

The audited consolidated results of Tianjin Development Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) for the year ended 31 December 2012 together with the comparative figures for the corresponding year in 2011 are as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

		2012	2011
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	2	3,890,394	3,517,032
Cost of sales		<u>(3,558,045)</u>	<u>(3,242,249)</u>
Gross profit		332,349	274,783
Other income	3	200,729	132,885
Other gains, net	4	115,850	54,678
General and administrative expenses		(437,262)	(377,582)
Other operating expenses		(62,374)	(36,238)
Finance costs	5	(63,233)	(33,704)
Share of profit (loss) of			
Associates		458,535	603,451
Jointly controlled entities		<u>501</u>	<u>(1,088)</u>
Profit before tax		545,095	617,185
Tax expense	6	<u>(58,375)</u>	<u>(109,662)</u>
Profit for the year	7	<u>486,720</u>	<u>507,523</u>
Attributable to:			
Owners of the Company		413,094	437,195
Non-controlling interests		<u>73,626</u>	<u>70,328</u>
		<u>486,720</u>	<u>507,523</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	8		
Basic		<u>38.70</u>	<u>40.96</u>
Diluted		<u>38.66</u>	<u>40.93</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	<i>Note</i>	2012 HK\$'000	2011 <i>HK\$'000</i>
Profit for the year		486,720	507,523
Other comprehensive income (losses):			
Currency translation differences			
– the Group		2,473	229,860
– associates		5,824	171,564
– jointly controlled entities		2	810
Change in fair value of available-for-sale financial assets	<i>10(a)</i>	24,810	(89,314)
Reclassification adjustment for accumulated gain upon disposal of available-for-sale financial assets		–	(34,425)
Release of deferred taxation relating to the abovementioned reclassification adjustment		–	9,020
Share of other comprehensive income (loss) of an associate			
– available-for-sale revaluation reserve		2,122	(7,910)
Other comprehensive income for the year		35,231	279,605
Total comprehensive income for the year		521,951	787,128
Attributable to:			
Owners of the Company		448,093	689,783
Non-controlling interests		73,858	97,345
		521,951	787,128

CONSOLIDATED BALANCE SHEET

As at 31 December 2012

	<i>Notes</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		2,287,823	1,685,553
Land use rights		489,407	278,151
Investment properties		195,987	134,335
Interest in associates	9	4,944,466	5,239,421
Interest in jointly controlled entities		17,162	16,660
Intangible assets		239,808	–
Deferred tax assets		106,127	100,051
Available-for-sale financial assets	10	233,405	208,595
Deposit paid for acquisition of property, plant and equipment		–	57,429
Goodwill		<u>158,810</u>	<u>–</u>
		<u>8,672,995</u>	<u>7,720,195</u>
Current assets			
Inventories		140,285	3,178
Amounts due from jointly controlled entities		14,373	14,580
Amount due from ultimate holding company		1,379	1,198
Amounts due from related companies		22,792	15,740
Amounts due from customers for contract work	11	966,241	–
Trade receivables	12	819,148	590,793
Notes receivables	12	160,523	3,206
Other receivables, deposits and prepayments	13	550,515	305,246
Available-for-sale financial assets	10	–	36,991
Financial assets at fair value through profit or loss		438,167	338,708
Entrusted deposits	14	1,579,335	1,638,768
Restricted bank balance		102,811	3,083
Time deposits with maturity over three months		254,398	809,174
Cash and cash equivalents		<u>3,864,901</u>	<u>2,950,873</u>
		<u>8,914,868</u>	<u>6,711,538</u>
Total assets		<u>17,587,863</u>	<u>14,431,733</u>
EQUITY			
Owners of the Company			
Share capital		106,747	106,747
Reserves		<u>9,949,187</u>	<u>9,482,322</u>
		10,055,934	9,589,069
Non-controlling interests		<u>849,854</u>	<u>592,936</u>
Total equity		<u>10,905,788</u>	<u>10,182,005</u>

CONSOLIDATED BALANCE SHEET (Cont'd)*As at 31 December 2012*

	<i>Notes</i>	2012 HK\$'000	2011 <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Bank borrowings	<i>15</i>	1,993,500	1,987,500
Deferred tax liabilities		119,071	76,056
		2,112,571	2,063,556
Current liabilities			
Trade payables	<i>16</i>	1,201,616	379,035
Notes payables	<i>16</i>	213,202	9,458
Other payables and accruals		1,884,941	1,069,121
Amounts due to related companies		491,822	292,325
Amounts due to customers for contract work	<i>11</i>	104,209	–
Bank borrowings		565,914	362,514
Current tax liabilities		107,800	73,719
		4,569,504	2,186,172
Total liabilities		6,682,075	4,249,728
Total equity and liabilities		17,587,863	14,431,733
Net current assets		4,345,364	4,525,366
Total assets less current liabilities		13,018,359	12,245,561

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants.

In the current year, the Group has applied the following new and revised HKFRSs:

Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets
Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle ¹
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities ¹
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ³
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance ¹
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities ²
HKFRS 9	Financial Instruments ³
HKFRS 10	Consolidated Financial Statements ¹
HKFRS 11	Joint Arrangements ¹
HKFRS 12	Disclosure of Interests in Other Entities ¹
HKFRS 13	Fair Value Measurement ¹
HKAS 19 (as revised in 2011)	Employee Benefits ¹
HKAS 27 (as revised in 2011)	Separate Financial Statements ¹
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ¹
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income ⁴
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ²
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine ¹

¹ Effective for annual periods beginning on or after 1 January 2013.

² Effective for annual periods beginning on or after 1 January 2014.

³ Effective for annual periods beginning on or after 1 January 2015.

⁴ Effective for annual periods beginning on or after 1 July 2012.

2. SEGMENT INFORMATION

The Group determines its operating segments based on the reports that are used to make strategic decisions and reviewed by the chief operating decision-makers. The chief operating decision-makers assess the performance of the operating segments based on a measure of profit after tax.

The Group has six reportable segments. The segments are managed separately as each business offers different products and services. The following summary describes the operation in each of the Group's reportable segments.

(a) Utilities

This segment derives revenue from distribution of electricity, water, heat and thermal power to industrial, commercial and residential customers in the Tianjin Economic and Technological Development Area ("TEDA"), the People's Republic of China ("PRC").

(b) Hotels

This segment derives revenue from operation of hotels in Hong Kong and Tianjin.

(c) Winery

The result of this segment is contributed by a listed associate of the Group, Dynasty Fine Wines Group Limited ("Dynasty"), which produces and sells winery products.

(d) Port services

The result of this segment is contributed by a listed associate of the Group, Tianjin Port Development Holdings Limited ("Tianjin Port"), which provides port services in Tianjin.

(e) Elevators and escalators

The result of this segment is contributed by an associate of the Group, Otis Elevator (China) Investment Company Limited ("Otis China"), which manufactures and sells elevators and escalators.

(f) Electrical and mechanical

This segment is contributed by the newly acquired subsidiaries, Tianjin Tianduan Press Co., Ltd. ("Tianduan") and Tianjin Tianfa Heavy Machinery & Hydro Power Equipment Manufacture Co., Ltd. ("Tianfa Equipment"), which manufacture and sell presses, mechanical and hydroelectric equipments and large scale pump units. As the acquisitions were completed on 31 December 2012, their financial results as subsidiaries are not presented in this year's segment results.

2. SEGMENT INFORMATION *(Cont'd)*

For the year ended 31 December 2012

	Utilities <i>(note (i))</i> HK\$'000	Hotels HK\$'000	Winery <i>(note (ii))</i> HK\$'000	Port services HK\$'000	Elevators and escalators HK\$'000	Total HK\$'000
Segment revenue	<u>3,772,471</u>	<u>117,923</u>	–	–	–	<u>3,890,394</u>
Operating profit before interest	54,524	3,541	–	–	–	58,065
Interest income	42,809	21	–	–	–	42,830
Finance costs	(28,674)	–	–	–	–	(28,674)
Share of (loss) profit of associates	–	–	(111,267)	148,217	417,860	454,810
Profit before tax	<u>68,659</u>	<u>3,562</u>	<u>(111,267)</u>	<u>148,217</u>	<u>417,860</u>	<u>527,031</u>
Tax expense	<u>(45,550)</u>	<u>(2,023)</u>	–	–	–	<u>(47,573)</u>
Segment results – profit (loss) for the year	<u>23,109</u>	<u>1,539</u>	<u>(111,267)</u>	<u>148,217</u>	<u>417,860</u>	<u>479,458</u>
Non-controlling interests	<u>1,830</u>	<u>6,739</u>	–	–	(72,123)	(63,554)
Profit (loss) attributable to owners of the Company	<u>24,939</u>	<u>8,278</u>	<u>(111,267)</u>	<u>148,217</u>	<u>345,737</u>	<u>415,904</u>
Segment results – profit (loss) for the year includes: Depreciation and amortization	<u>64,698</u>	<u>28,803</u>	–	–	–	<u>93,501</u>

For the year ended 31 December 2011

	Utilities <i>(note (i))</i> HK\$'000	Hotels HK\$'000	Winery HK\$'000	Port services HK\$'000	Elevators and escalators HK\$'000	Total HK\$'000
Segment revenue	<u>3,402,434</u>	<u>114,598</u>	–	–	–	<u>3,517,032</u>
Operating profit before interest	69,011	2,905	–	–	–	71,916
Interest income	20,236	22	–	–	–	20,258
Finance costs	(11,682)	–	–	–	–	(11,682)
Share of profit of associates	–	–	1,907	149,785	437,618	589,310
Profit before tax	<u>77,565</u>	<u>2,927</u>	<u>1,907</u>	<u>149,785</u>	<u>437,618</u>	<u>669,802</u>
Tax expense	<u>(5,134)</u>	<u>(32,442)</u>	–	–	–	<u>(37,576)</u>
Segment results – profit (loss) for the year	<u>72,431</u>	<u>(29,515)</u>	<u>1,907</u>	<u>149,785</u>	<u>437,618</u>	<u>632,226</u>
Non-controlling interests	<u>(1,459)</u>	<u>6,298</u>	–	–	(75,533)	(70,694)
Profit (loss) attributable to owners of the Company	<u>70,972</u>	<u>(23,217)</u>	<u>1,907</u>	<u>149,785</u>	<u>362,085</u>	<u>561,532</u>
Segment results – profit (loss) for the year includes: Depreciation and amortization	<u>47,789</u>	<u>29,073</u>	–	–	–	<u>76,862</u>

2. SEGMENT INFORMATION (Cont'd)

	2012 HK\$'000	2011 HK\$'000
Reconciliation of profit for the year		
Total reportable segments	479,458	632,226
Share option expenses	(18,210)	(17,835)
Corporate and others (note (iii))	25,472	(106,868)
Profit for the year	<u>486,720</u>	<u>507,523</u>

notes:

- (i) Revenue from supply of electricity, water, and heat and thermal power amounted to approximately HK\$2,292,900,000, HK\$355,700,000 and HK\$1,123,900,000 respectively (2011: approximately HK\$2,087,200,000, HK\$316,800,000 and HK\$998,400,000 respectively).

Revenue from utilities also included government supplemental income of approximately HK\$321,300,000 (2011: approximately HK\$304,400,000).

- (ii) As detailed in Note 9(a), the Group has equity accounted for its share of loss of Dynasty for the year ended 31 December 2012 based on the best estimates made by the directors of the Company. In addition, the Group has recognized an impairment loss against the carrying amount of its interest in Dynasty based on its fair value, which is determined with reference to the quoted price of Dynasty's listed shares on 31 December 2012 as financial information of Dynasty for the year ended 31 December 2012 is not available to the Group at the date these consolidated financial statements were approved by the board of directors (the "Board"). As a result, the Group recognized an aggregate loss of HK\$111,267,000, which is included in the consolidated income statement as share of loss of associate for the year ended 31 December 2012.
- (iii) These principally include (a) results of the Group's other non-core businesses which are not categorized as reportable segments; (b) corporate level activities including central treasury management, administrative function and exchange gain or loss; and (c) results of Tianduan and Tianfa Equipment as the Group's associates.

2. SEGMENT INFORMATION (Cont'd)

Segment assets and liabilities

As at 31 December 2012

	Utilities HK\$'000	Hotels HK\$'000	Winery HK\$'000	Port services HK\$'000	Elevators and escalators HK\$'000	Electrical and mechanical HK\$'000	Total reportable segments HK\$'000	Corporate and others (note(ii)) HK\$'000	Total HK\$'000
Segment assets	<u>3,496,638</u>	<u>996,856</u>	<u>786,780</u>	<u>3,319,892</u>	<u>824,117</u>	<u>3,102,945</u>	<u>12,527,228</u>	<u>5,060,635</u>	<u>17,587,863</u>
Segment liabilities	<u>2,242,223</u>	<u>88,902</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,611,770</u>	<u>3,942,895</u>	<u>2,739,180</u>	<u>6,682,075</u>

As at 31 December 2011

	Utilities HK\$'000	Hotels HK\$'000	Winery HK\$'000	Port services HK\$'000	Elevators and escalators HK\$'000	Electrical and mechanical (note (i)) HK\$'000	Total reportable segments HK\$'000	Corporate and others (note(ii)) HK\$'000	Total HK\$'000
Segment assets	<u>3,158,568</u>	<u>1,031,225</u>	<u>901,151</u>	<u>3,220,005</u>	<u>805,788</u>	<u>312,477</u>	<u>9,429,214</u>	<u>5,002,519</u>	<u>14,431,733</u>
Segment liabilities	<u>1,926,517</u>	<u>92,047</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,018,564</u>	<u>2,231,164</u>	<u>4,249,728</u>

notes:

- (i) This represents the Group's share of net assets of Tianduan and Tianfa Equipment as associates.
- (ii) The balances represent assets and liabilities relating to corporate and other non-core businesses not categorized as reportable segments, which principally include cash and cash equivalents, time deposits with maturity over three months, entrusted deposits, financial assets at fair value through profit or loss, property, plant and equipment, investment properties, available-for-sale financial assets, interest in certain associates and bank borrowings.

Other segment information

An analysis of the Group's revenue by geographical location of relevant subsidiaries is as follows:

	2012 HK\$'000	2011 HK\$'000
PRC mainland	<u>3,773,312</u>	<u>3,403,296</u>
Hong Kong	<u>117,082</u>	<u>113,736</u>
	<u>3,890,394</u>	<u>3,517,032</u>

The Group's non-current assets (excluding financial assets and deferred tax assets) by geographical location of the assets are detailed below:

	2012 HK\$'000	2011 HK\$'000
PRC mainland	<u>7,793,513</u>	<u>6,854,087</u>
Hong Kong	<u>539,950</u>	<u>557,462</u>
	<u>8,333,463</u>	<u>7,411,549</u>

3. OTHER INCOME

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Interest income	162,997	110,233
Rental income under operating leases net of negligible outgoings	15,679	6,143
Sundries	22,053	16,509
	<u>200,729</u>	<u>132,885</u>

4. OTHER GAINS, NET

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Gain on fair value change of investment properties	25,228	–
Gain on disposal of assets held for sale	–	6,689
Gain on disposal of interest in associates	58,682	–
Net exchange gain	5,063	34,360
Net gain on disposal of available-for-sale financial asset	4,644	30,872
Net (loss) gain on disposal of property, plant and equipment	(3,159)	109
Net gain (loss) on financial assets held for trading		
– listed	5,376	(24,425)
– unlisted	20,016	9,954
Others	–	(2,881)
	<u>115,850</u>	<u>54,678</u>

5. FINANCE COSTS

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Interest expenses on bank borrowings repayable within five years	<u>63,233</u>	<u>33,704</u>

6. TAX EXPENSE

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Current taxation		
– PRC Enterprise Income Tax (“PRC EIT”)	50,044	77,220
Deferred taxation	8,331	32,442
	<u>58,375</u>	<u>109,662</u>

No provision for Hong Kong profits tax has been made as there was no estimated assessable profit derived from Hong Kong during the year (2011: Nil).

The Group's PRC subsidiaries are subject to PRC EIT at a rate of 25%.

7. PROFIT FOR THE YEAR

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Profit for the year is arrived at after charging (crediting):		
Employee benefit expense (including directors' emoluments)	403,226	337,669
Purchase of electricity, water and steam for sale	3,069,813	2,845,276
Depreciation		
– charged to cost of sales	58,062	42,465
– charged to administrative expenses	17,280	9,313
– charged to other operating expenses	22,593	22,983
Amortization of land use rights	6,992	6,858
(Reversal of) allowance for impairment of trade receivables	(2,866)	14,793
Impairment loss on property, plant and equipment	30,000	–
Operating lease expense on		
– plants, pipelines and networks	150,801	147,137
– land and buildings	10,571	9,172
Auditor's remuneration	4,802	6,531

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the profit attributable to owners of the Company and the number of shares in issue as follows:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Profit attributable to owners of the Company for the purpose of basic and diluted earnings per share	<u>413,094</u>	<u>437,195</u>
Number of shares	<i>Thousand</i>	<i>Thousand</i>
Number of ordinary shares for the purpose of basic earnings per share	1,067,470	1,067,470
Effect of dilutive potential ordinary shares: Options	<u>1,079</u>	<u>682</u>
Number of ordinary shares taking into account of share options for the purpose of diluted earnings per share	<u>1,068,549</u>	<u>1,068,152</u>

9. INTEREST IN ASSOCIATES

	<i>notes</i>	2012 HK\$'000	2011 HK\$'000
The Group's interest in associates			
– Listed shares in Hong Kong			
– Dynasty	<i>(a)</i>	786,780	901,151
– Tianjin Port		3,319,892	3,220,005
– Unlisted shares in the PRC			
– Otis China		824,117	805,788
– Tianduan	<i>(b)</i>	–	169,158
– Tianfa Equipment	<i>(c)</i>	–	143,319
– Milan Winery	<i>(d)</i>	13,677	–
		<u>4,944,466</u>	<u>5,239,421</u>

notes:

- (a) As set out in the announcement published by Dynasty on 26 March 2013, an internal investigation is being conducted on certain transactions of Dynasty. As the investigation is not yet completed on the date these consolidated financial statements were approved by the Board, financial information of Dynasty for the year ended 31 December 2012 is not available to the Group. Accordingly, for the purpose of preparing these consolidated financial statements, the Group has equity accounted for its share of loss of Dynasty for the year ended 31 December 2012 based on the best estimates made by the directors of the Company. In addition, in view of the on-going investigation of Dynasty, the Group has recognized an impairment loss against the carrying amount of its interest in Dynasty based on its fair value, which is determined with reference to the quoted price of Dynasty's listed shares on 31 December 2012. As a result, the Group recognized an aggregate loss of HK\$111,267,000 which is included in the consolidated income statement as share of loss of associate for the year ended 31 December 2012.
- (b) At 31 December 2011, Tianjin Tai Kang Industrial Co., Ltd. (天津泰康實業有限公司) ("Tianjin Tai Kang"), a non-wholly owned subsidiary of the Group, held 21.83% equity interest in Tianduan as an associate. On 1 November 2012, Tianjin Tai Kang entered into an agreement with Tianjin Benefo Machinery & Electric Holding Co., Ltd. (天津百利機電控股集團有限公司) ("Tianjin Benefo") for the acquisition of 56.62% equity interest in Tianduan at a consideration of RMB455,557,000 (equivalent to approximately HK\$560,334,000, by applying the exchange rate as disclosed in the announcement of the Company dated 1 November 2012) (the "Tianduan Acquisition"). The Tianduan Acquisition was completed on 31 December 2012, and Tianduan then became a 78.45%-owned subsidiary of Tianjin Tai Kang.
- (c) At 31 December 2011, Tianjin Tai Kang held 34% equity interest in Tianfa Equipment as an associate. On 1 November 2012, Tianjin Tai Kang entered into an agreement with Tianjin Benefo for the acquisition of 66% equity interest in Tianfa Equipment at a consideration of RMB301,984,000 (equivalent to approximately HK\$371,439,000, by applying the exchange rate as disclosed in the announcement of the Company dated 1 November 2012) (the "Tianfa Equipment Acquisition"). The Tianfa Equipment Acquisition was completed on 31 December 2012, and Tianfa Equipment then became a wholly-owned subsidiary of Tianjin Tai Kang.
- (d) In September 2012, the Group acquired 25% equity interest in Liaoning Wunushan Milan Winery Co., Ltd. (遼寧五女山米蘭酒業有限公司) ("Milan Winery"), a company incorporated in the PRC, at a consideration of RMB11,092,000 (equivalent to approximately HK\$13,677,000). Since then, Milan Winery became an associate of the Group. Milan Winery is engaged in brewing and processing of wine and ice wine products.

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<i>notes</i>	2012 HK\$'000	2011 HK\$'000
Equity securities			
Listed, at market value	(a)	218,323	193,513
Unlisted	(b)	15,082	52,073
		233,405	245,586
Disclosure			
Current assets		–	36,991
Non-current assets		233,405	208,595
		233,405	245,586

notes:

- (a) The listed securities represent the Group's 8.28% equity interest in Binhai Investment Company Limited ("Binhai Investment") which is listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

As at 31 December 2012, the market value of the Group's equity interest in Binhai Investment was approximately HK\$218,323,000 (2011: approximately HK\$193,513,000) and the unrealized fair value gain of approximately HK\$24,810,000 (2011: unrealized fair value loss of approximately HK\$89,314,000) was recognized in other comprehensive income.

- (b) The unlisted available-for-sale financial assets are principally equity investments in certain entities established and operated in the PRC. They are mainly denominated in Renminbi.

11. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

Amounts representing the contracts in progress of Tianduan and Tianfa Equipment at the end of the year.

12. TRADE RECEIVABLES AND NOTES RECEIVABLES

The ageing analysis of the Group's trade and notes receivables (net of allowance) is as follows:

	2012	2011
	HK\$'000	HK\$'000
Within 30 days	524,526	411,525
31 to 90 days	91,301	20,082
91 to 180 days	135,628	26,082
181 to 365 days	73,339	136,310
1 to 2 years	154,877	–
	979,671	593,999

Various group companies have different credit policies which are dependent on the practice of the markets and the businesses in which they operate. In general, credit periods of 30 to 180 days are granted to corporate customers of the Group's hotel business; 90 to 180 days to customers of Tianduan and Tianfa Equipment. No credit terms are granted to customers in the utilities segment.

As at 31 December 2012, the supplemental income receivable from the TEDA Finance Bureau was approximately HK\$190,415,000 (2011: approximately HK\$257,281,000) as referred to in Note 2(i). Annual supplemental income receivable does not have credit terms and the amount is to be finalized by the TEDA Finance Bureau after the end of each financial year. Continuous settlements have been received by the Group in the past years.

The carrying amounts of trade and notes receivables, other receivables and deposits approximate their fair value and are mainly denominated in Renminbi. The maximum exposure to credit risk at the end of the reporting period is the carrying value of the receivables mentioned above.

13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	<i>notes</i>	2012	2011
		HK\$'000	HK\$'000
Consideration receivable for disposal of a subsidiary	<i>(a)</i>	123,305	123,305
Entrusted loans	<i>(b)</i>	184,957	–
Others		242,253	181,941
		550,515	305,246

notes:

- (a) The amount represents the consideration receivable from disposal of a subsidiary in previous years and it is expected to be settled in the next twelve months.
- (b) The amount represents entrusted loans to certain borrowers in the PRC through two PRC financial institutions. The interest rates range from 6% to 6.66% per annum and are repayable within one year.

14. ENTRUSTED DEPOSITS

As at 31 December 2012, the entrusted deposits were placed with two financial institutions based in Tianjin, PRC with maturity between 2 to 12 months after the end of the reporting period (2011: 2 to 16 months). The deposits carry fixed rates of return ranging from 5.6% to 10.0% per annum (2011: 6.1% to 8.4%).

15. BANK BORROWINGS

As disclosed in Note 10, Tianduan and Tianfa Equipment became subsidiaries of the Group in December 2012, and resulted in the bank borrowings of Tianduan and Tianfa Equipment being accounted for in the Group as at 31 December 2012. Accordingly, the bank borrowings of the Group as at 31 December 2012 were increased by approximately HK\$184,905,000.

Except for the above, the Group raised new borrowings of approximately HK\$399,263,000 and repaid the loan of approximately HK\$380,835,000 during the year.

As at 31 December 2012, approximately HK\$565,914,000 of borrowings were repayable within one year and carried interest rates at 1.70% to 7.22% (2011: 1.70% to 7.54%) per annum.

16. TRADE PAYABLES AND NOTES PAYABLES

The ageing analysis of the Group's trade and notes payables, based on invoice date, is as follows:

	2012 HK\$'000	2011 HK\$'000
Within 30 days	501,408	32,178
31 to 90 days	371,657	248,961
91 to 180 days	319,209	–
Over 180 days	222,544	107,354
	<u>1,414,818</u>	<u>388,493</u>

The carrying amounts of trade and notes payables approximate their fair value and are mainly denominated in Renminbi.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Utilities

The Group's utility businesses are mainly operating in the Tianjin Economic and Technological Development Area ("TEDA") through supplying electricity, water, heat and thermal power to industrial, commercial and residential customers.

TEDA is a national development zone and ranked no. 1 in terms of overall capabilities in the PRC. Situated at the centre of Bohai economic rim, TEDA is an ideal place for manufacturing and R&D developments.

Electricity

Tianjin TEDA Tsinlien Electric Power Co., Ltd. ("Electricity Company") is principally engaged in supply of electricity in TEDA. It also provides services in relation to maintenance of power supply equipment and technical consultancy. Currently, the installed transmission capacity of Electricity Company is approximately 706,000 kVA.

In 2012, the Electricity Company reported revenue of approximately HK\$2,292.9 million and profit of approximately HK\$40 million, representing an increase of 9.8% and 136.7% respectively over last year. The rise in profit was mainly due to improvement in gross profit margin and reversal of provision of expenses. The total quantity of electricity sold for the year was approximately 2,646,676,000 kWh, representing an increase of 1.8% over last year.

Water

Tianjin TEDA Tsinlien Water Supply Co., Ltd. ("Water Company") is principally engaged in supply of tap water in TEDA. It also provides services in installation and maintenance of water pipes, technical consultancy, retail and wholesale of water pipes and related parts. The daily water supply capacity of the Water Company is approximately 400,000 tonnes.

In 2012, the Water Company reported revenue of approximately HK\$355.7 million, representing an increase of 12.3% over last year; and loss of approximately HK\$51.2 million compared to a profit of approximately HK\$5.8 million last year. In view of this, the Company has exercised caution to make a provision of impairment of HK\$30 million to relevant assets of Water Company. The total quantity of water sold for the year was approximately 46,699,000 tonnes, representing a decline of 1.8% over last year.

Heat and Thermal Power

Tianjin TEDA Tsinlien Heat & Power Co., Ltd. ("Heat & Power Company") is principally engaged in distribution of steam and heat for industrial, commercial and residential customers within TEDA. The Heat & Power Company has steam transmission pipelines of approximately 360 kilometres and more than 105 processing stations in TEDA. The daily distribution capacity is approximately 30,000 tonnes of steam.

In 2012, the Heat & Power Company reported revenue of approximately HK\$1,123.9 million and profit of approximately HK\$34.4 million, representing an increase of 12.6% and decrease of 30.6% respectively over last year. The decrease in profit was mainly due to increase in cost of operations. The total quantity of steam sold for 2012 was approximately 4,214,000 tonnes, representing an increase of 7.4% over last year.

Hotels

Courtyard by Marriott Hong Kong

Courtyard by Marriott Hong Kong (“Courtyard Hotel”), situated in a prime location on the Hong Kong Island, is a 4-star hotel with 245 guest rooms. It is positioned as an ideal lodge for business and leisure travellers.

In 2012, Courtyard Hotel’s revenue increased by 3% to approximately HK\$117.1 million and profit of approximately HK\$23.4 million was recorded, compared to a loss of approximately HK\$10.9 million last year. The good result was due to improved room rates and effective control in expenses. During the year, the average occupancy rate was 85.6%, down 0.7% from 86.3% in last year.

Hotel Property in Tianjin

The management contract for operation of Hyatt Regency Tianjin Hotel was terminated in April 2012. The Group is taking active steps to explore various alternatives including redevelopment or disposal. During the year, a loss of approximately HK\$21.9 million was recorded, which was mainly expenses and depreciation.

Electrical and Mechanical

Hydraulic Presses

On 1 November 2012, Tianjin Tai Kang Industrial Co., Ltd. (天津泰康實業有限公司) (“Tianjin Tai Kang”), a 82.74%-owned subsidiary of the Company, entered into an agreement with Tianjin Benefo Machinery & Electric Holding Co., Ltd. (天津百利機電控股集團有限公司) (“Tianjin Benefo”) for the acquisition of 56.62% equity interest in Tianjin Tianduan Press Co., Ltd. (天津市天鍛壓力機有限公司) (“Tianduan”) at a consideration of RMB455,557,000 (equivalent to approximately HK\$560,334,000). Tianjin Benefo is a non-controlling shareholder of Tianjin Tai Kang. Tianduan is principally engaged in the manufacture and sale of presses and mechanical equipments and is a key player in the hydraulic presses industry in the PRC.

Completion took place on 31 December 2012 and Tianduan then became a 78.45%-owned subsidiary of Tianjin Tai Kang. For the year ended 31 December 2012, the financial results of Tianduan were equity accounted for as a 21.83%-owned associate.

Details of the acquisition can be referred to the Announcement and Circular of the Company dated 1 November 2012 and 22 November 2012 respectively.

Hydroelectric Equipment

On 1 November 2012, Tianjin Tai Kang entered into an agreement with Tianjin Benefo for the acquisition of 66% equity interest in Tianjin Tianfa Heavy Machinery & Hydro Power Equipment Manufacture Co., Ltd. (天津市天發重型水電設備製造有限公司) (“Tianfa Equipment”) at a consideration of RMB301,984,000 (equivalent to approximately HK\$371,439,000). Tianjin Benefo is a non-controlling shareholder of Tianjin Tai Kang. Tianfa Equipment is principally engaged in the manufacture and sale of hydroelectric equipments and large scale pump units and is a key player in the hydroelectric industry in the PRC.

Completion took place on 31 December 2012 and Tianfa Equipment then became a wholly-owned subsidiary of Tianjin Tai Kang. For the year ended 31 December 2012, the financial results of Tianfa Equipment were equity accounted for as a 34%-owned associate.

Details of the acquisition can be referred to the Announcement and Circular of the Company dated 1 November 2012 and 22 November 2012 respectively.

Strategic and Other Investments

Winery

As set out in the announcement published by Dynasty Fine Wines Group Limited (“Dynasty”) (stock code: 828) on 26 March 2013, an internal investigation is being conducted on certain transactions of Dynasty. As the investigation is not yet completed on the date these consolidated financial statements were approved by the Board, financial information of Dynasty for the year ended 31 December 2012 is not available to the Group. Accordingly, for the purpose of preparing these consolidated financial statements, the Group has equity accounted for its share of loss of Dynasty for the year ended 31 December 2012 based on the best estimates made by the directors of the Company. In addition, in view of the on-going investigation of Dynasty, the Group has recognized an impairment loss against the carrying amount of its interest in Dynasty based on its fair value, which is determined with reference to the quoted price of Dynasty’s listed shares on 31 December 2012. As a result, the Group recognized an aggregate loss of approximately HK\$111.3 million which is included in the consolidated income statement as share of loss of associate for the year ended 31 December 2012, compared to a profit of approximately HK\$1.9 million in last year.

Port Services

During the year, the revenue of Tianjin Port Development Holdings Limited (“Tianjin Port”) (stock code: 3382) increased by 8.4% to approximately HK\$17,934.7 million; profit for the year of Tianjin Port was approximately HK\$1,716.9 million, representing an increase of 5.5% over last year, and profit attributable to owners of Tianjin Port was approximately HK\$705.8 million.

Tianjin Port contributed to the Group a profit of approximately HK\$148.2 million, representing a decrease of 1% compared to that of last year.

Elevators and Escalators

During the year, the revenue of Otis Elevator (China) Investment Company Limited (“Otis China”) amounted to approximately HK\$16,685.6 million, representing an increase of 1% over 2011.

Otis China contributed to the Group a profit of approximately HK\$345.7 million, representing a decrease of 4.5% over last year.

Investment in Binhai Investment Company Limited

During the year, the Group had 8.28% equity interest in Binhai Investment Company Limited (“Binhai Investment”) (stock code: 8035). As at 31 December 2012, the market value of the Group’s equity interest in Binhai Investment was approximately HK\$218.3 million (2011: approximately HK\$193.5 million) and the unrealized fair value gain of approximately HK\$24.8 million (2011: unrealized fair value loss of approximately HK\$89.3 million) was recognized in other comprehensive income.

PROSPECT

In 2013, the world economic situation will remain complicated and volatile, and confront many uncertainties. The downturn risk of global economy still exists given the factors like Eurozone debt crisis, unresolved US fiscal cliff and economic slowdown in the emerging markets. China will also face the risks of tensions in the region even though its economy achieved a soft landing. Under the new situation, the Company will continue to play to its strengths and accelerate the growth pace with the prerequisite of maintaining smooth development of existing businesses. The Company is capable of dealing with challenges in the future and able to grasp expansion opportunities with its sound financial position and quality assets. The Company has achieved a satisfactory performance in 2012, and we feel confident for the future.

LIQUIDITY AND CAPITAL RESOURCES ANALYSIS

As at 31 December 2012, the Group's total cash on hand and total bank borrowings stood at approximately HK\$4,222.1 million and approximately HK\$2,559.4 million respectively (2011: approximately HK\$3,763 million and approximately HK\$2,350 million respectively). The bank borrowings of approximately HK\$565.9 million (2011: approximately HK\$362.5 million) will mature within one year.

The gearing ratio as measured by total borrowings to shareholders' funds was at approximately 25% as at 31 December 2012 (2011: approximately 24%).

Of the total HK\$2,559.4 million bank borrowings outstanding as at 31 December 2012, HK\$1,993.5 million were subject to floating rates with a spread of 1.40% over HIBOR of relevant interest periods and RMB175 million (equivalent to approximately HK\$215.8 million) was calculated at 5 to 10 basis points over benchmark rate of the People's Bank of China. RMB240 million (equivalent to approximately HK\$295.9 million) of bank borrowings were fixed-rate debts with annual interest rates at 3.12% to 6.30%, and the remaining of approximately RMB43.9 million (equivalent to approximately HK\$54.2 million) were discounted notes receivables.

As at 31 December 2012, 78% (2011: 85%) of the Group's total bank borrowings was denominated in Hong Kong dollars, 22% (31 December 2011: 15%) was denominated in Renminbi.

During the year, the Group has not entered into any derivative contracts or hedging transactions.

EMPLOYEES AND REMUNERATION POLICIES

At the end of the year, the Group had a total of approximately 3,100 employees of whom approximately 500 were management personnel and 770 were technical staff, with the balance being production workers.

The Group contributes to an employee pension scheme established by the PRC Government which undertakes to assume the retirement benefit obligations of all existing and future retired employees of the Group in the PRC. The Group also contributes to a mandatory provident fund scheme for all its Hong Kong employees. The contributions are based on a fixed percentage of the members' salaries.

CHARGE ON ASSETS

As at 31 December 2012, a restricted bank balance of approximately HK\$102.8 million was pledged against notes payables of approximately HK\$213.2 million.

As at 31 December 2012, bank borrowings of approximately HK\$158 million was secured by land use right, buildings and deposits.

DIVIDEND

The Board does not recommend payment of a final dividend for the year ended 31 December 2012 (2011: Nil).

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

The Company's auditor has qualified its report on the Group's consolidated financial statements for the year ended 31 December 2012 as the financial information of Dynasty is not available on the date the consolidated financial statements were approved by the Board, an extract of which is as follows:

Basis of qualified opinion

As set out in Note 18(a) to these consolidated financial statements, the financial information for the year ended 31 December 2012 of Dynasty (as defined in Note 45 to these consolidated financial statements), a listed associate of the Group, is not available at the date of this report. Accordingly, for the purpose of preparing these consolidated financial statements, the Group has equity accounted for its share of loss of Dynasty based on the best estimates made by the directors of the Company. In addition, the Group has recognized an impairment loss against the carrying amount of its interest in Dynasty based on its fair value, which is determined with reference to the quoted price of Dynasty's listed shares on 31 December 2012. As a result, the Group recognized an aggregate loss of HK\$111,267,000 which is included in the consolidated income statement as share of loss of associate for the year ended 31 December 2012. However, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves with the appropriateness of the estimates made by the directors of the Company to account for the share of loss and net assets less impairment loss of Dynasty as we did not have sufficient access to the financial information, management and the auditor of Dynasty.

In view of the above and in the absence of any alternative procedures to be carried out in respect of the financial information of Dynasty, we are unable to satisfy ourselves as to whether (i) the Group's share of the results and other comprehensive income or expense of Dynasty for the year ended 31 December 2012 is appropriate; and (ii) the Group's share of the net assets less impairment loss of Dynasty as of 31 December 2012 is fairly stated. In addition, the required summarized financial information of Dynasty is not disclosed in accordance with Hong Kong Accounting Standard 28 "Investments in Associates".

Qualified opinion

In our opinion, except for the possible effects of the matter set out in the Basis of qualified opinion paragraph, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Report on matters under sections 141(4) and 141(6) of the Hong Kong Companies Ordinance

In respect alone of the Group's share of results and other comprehensive income or expense of, and investment in, Dynasty:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether proper books of account had been kept.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the year ended 31 December 2012.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES AND CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (the "New CG Code") (effective from 1 April 2012) contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the year except that the executive directors of the Company (save for the Chairman of the Board, who has a service agreement with the Company) do not have formal letters of appointment, which deviates from the requirement under code provision D.1.4 of the New CG Code.

As of to date, the Company has fully complied with this code provision by entering into formal letters of appointment with all executive directors of the Company detailing the terms and conditions of their appointment, duties and responsibilities.

The Board will continue to monitor and review the Company's corporate governance practices and procedures and make necessary changes when it considers appropriate.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct for directors' securities transactions. Having made specific enquiry, all the directors have confirmed that they have complied with the required standard as set out in the Model Code throughout the year.

The Company has also established written guidelines regarding securities transaction on no less exacting terms than the Model Code for senior management and specific individuals who may have access to price sensitive information in relation to the securities of the Company.

AUDIT COMMITTEE

The Audit Committee of the Company currently comprises five independent non-executive directors, namely Ms. Ng Yi Kum, Estella (Chairman of the Committee), Dr. Cheng Hon Kwan, Mr. Mak Kwai Wing, Alexander, Mr. Wong Shiu Hoi, Peter and Dr. Loke Yu. Regular meetings have been held during the year to review the accounting principles and practices adopted by the Group and discussed with the management its internal controls and financial reporting matters. The final results for the year ended 31 December 2012 have been reviewed by the Audit Committee of the Company.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2012 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF ANNUAL REPORT

The 2012 Annual Report will be available at the websites of the Company and the Stock Exchange and despatched to shareholders of the Company in mid April 2013.

By Order of the Board
Tianjin Development Holdings Limited
Yu Rumin
Chairman

Hong Kong, 27 March 2013

As at the date of this announcement, the Board of the Company consists of Mr. Yu Rumin, Mr. Wu Xuemin, Mr. Dai Yan, Mr. Bai Zhisheng, Mr. Zhang Wenli, Mr. Wang Zhiyong, Dr. Wang Weidong, Mr. Tuen Kong, Simon, Mr. Cheung Wing Yui, Edward, Dr. Chan Ching Har, Eliza*, Dr. Cheng Hon Kwan**, Mr. Mak Kwai Wing, Alexander**, Ms. Ng Yi Kum, Estella**, Mr. Wong Shiu Hoi, Peter** and Dr. Loke Yu**.*

* *non-executive director*

** *independent non-executive director*